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Photo merchandising feature:
AUTOMOTIVES—pp. 13-18

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National Home Center News®

Vol. 9, No. 23 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | November 7, 1983

Ole's president Harvey Knell waits on line to register at last month's first Western Home Center & Building Materials Show in Anaheim. NHCN photos

Robust 3rd qtr. sales spark hope for sustained recovery

Dealers dust off winter promotions, expansion plans

NHCN staff roundup

NATIONAL REPORT—Dealers reported healthy sales gains in the third quarter of 1983, and many are looking to aggressively promote merchandise during the winter months and especially for Christmas, which traditionally has been a "down time" for the industry.

Among the 15 retail companies contacted, optimism reigned supreme about the economy sustaining its recovery at least through the first half of 1984. However, some retailers alluded to several factors—interest rates, the weather and increased competition in their markets—as yet undetermined variables that could dampen their own stores' growth.

Nevertheless, most chains are charging forward into the next quarter with expectations of strong business. And several told *NHCN* of expansion plans that would be acted upon early in 1984, another proof of retailer confidence in the economy.

The dramatic success retailers have had this year cannot be divorced from the expansion in the housing industry. Several contractor-oriented chains enjoyed the best three months in their companies' histories last quarter.

Lanoga Corp., the Seattle, Wash., company that runs three chains nationwide with 126 units, was such a firm, having shown a sales increase in excess of 35% over the same period in 1982. The company's merchandising vp Bill Matthews directly attributed Lanoga's sales gains to the rise in housing starts this year.

At the 104-unit Scotty's, sales were up 26% to $95.4 million for the quarter ending Oct. 1, with earnings rising 53% to $3.2 million. The Winter Haven, Fla., chain's builder sales represented 31.7% of its overall volume, compared with 23.4% for the same period last year.

"The increase in sales has a pretty good chance of continuing through the next calendar year," said senior vp Harold Taylor. "We feel the economy is in good shape, the recovery is really here and interest rates have stabilized so builder sales will continue strong."

In Idaho, Boise Cascade's building materials distribution division—of which its 90-unit retail chain is a part—saw its net sales jump 49% to $216 million for the quarter, and a spokesman for the company pointed specifically to "new residential housing starts" as the

(Continued on page 49)

7,000 turnout for debut

Calif. retailers dominate Western Show attendance

By Brad Altman
West Coast editor

ANAHEIM, Calif.—The first Western Home Center & Building Materials Show held here Oct. 21-23 drew a mixture of positive reactions and vocal disappointments, but managed to convince some skeptics that it has the potential to grow into a major regional trade show.

While some of the 500 exhibitors expressed disappointment at what they characterized as "light booth traffic," and the relatively local, rather than regional, representation of retailers, show organizers said—based on preliminary estimates—that about 7,000 retailers attended the three-day exposition.

A sampling of exhibitors surveyed on the last day of the show found the majority saying they would definitely return next year, although a few said they would not be back, or categorized themselves as "maybes."

Two halls containing 200,000 sq. ft. were rented in the Anaheim Convention Center, but it wasn't all used. Nonetheless, John Berry, director of the trade show division for Vance Publishing Co., the show's sponsor, said that he is mapping plans to utilize 300,000 sq. ft. at next year's show, scheduled for Nov. 16-18, 1984.

According to Berry, nearly half of the retailers attending did not register in advance—some 3,500 to 4,000 persons, he estimated. This indicated that the show was of greatest interest to retailers within "freeway driving distance" of Orange County, and that those who chose to attend may have made the decision at the last minute. At national shows, by contrast, it is not unusual for up to 70% of attendees to register in advance.

Although the show was targeted at retailers throughout the 13 western states, several major western chains such as Pay 'N Pak and Hugh M. Woods did not attend, and only one or two representatives came from a number of retail companies outside California. The show did draw a surprising number of retailers from British Columbia and Alberta, Canada. The show also drew several professional contractors, including Brad Colon of Santa Ana. He com-

(Continued on page 49)

600th store opens in Pa.

Self-manufacturing helps Color Tile bounce back from 3 sluggish years

By David Morgan
NHCN field editor

FORT WORTH—Recovery from the economic recession of the last four years has not come easily to Color Tile.

The national retailer of specialty home improvement products, which opened its 600th store last month in Lancaster, Pa., is only now beginning to see the kind of sales growth viewed on Wall Street as a sign of resurgent health.

The company posted a sales increase of 23% in September, its largest since the recession. Preliminary sales data also pointed to a continued rebound in October. But, while corporate officials remained cautiously optimistic about the new gains, they acknowledged that Color Tile had ended its third consecutive year of sluggish sales just a few months before.

The Fort Worth retailer brought fiscal 1983 to a close on

(Continued on page 50)

NEWSBREAKS

HARDWARE SHOW DEFECTION. At least 24 leading outdoor power equipment makers, including MTD, Murray Ohio, Lawn-Boy and Homelite/Textron, have pledged support for a new International Lawn, Garden and Outdoor Power Expo, slated in Louisville, Ky., July 23-25 next year. Virtually all plan to withdraw from the National Hardware Show.

EXPANSION STRATEGY. Builders Emporium, Irvine, Calif., will open from four to six stores in California in 1984. The new stores will each be around 35,000-sq.-ft. A spring opening is anticipated for the first two outlets.

INSIDE:

PERGAMENT HOME CENTERS is opening the New York Metropolitan Area's first DIY warehouse store ..... Page 3
SHANGHAI'S NO. 1 DEPARTMENT STORE attracts throngs of shoppers despite its notable lack of merchandising flair Page 3
A NEW SURVEY FINDS execs from large home center firms bullish on investing in home center stock ..... Page 4
READY-TO-ASSEMBLE furniture is making significant inroads in the DIY market ..... Pp. 36-38

HomeClub's daily unit sales exceeded $100,000 during its grand opening weekend late last month at its 95,000-sq.ft. warehouse home center in Norwalk (above) and a second 84,000-sq.-ft. unit in Fountain Valley, fueled in part by a membership and discount philosophy. NHCN photo

HomeClub's prices rattle competitors

By Wyatt Kash
NHCN editor

ANAHEIM, Calif.–For dozens of home center retailers, one of the main attractions during last month's three-day Western Home Center and Building Materials Show was actually several miles from the show site here, at the grand openings of two HomeClub discount warehouse stores.

The debut of both units—one in Norwalk, and the second, a converted Woolco store in Fountain Valley, sparked plenty of interest, primarily because of HomeClub's operating philosophy, and the fact that it represents a new step forward in the evolution of warehouse home centers.

Borrowing from the success of the Price Club and other deep-discount, membership-only retail outlets, HomeClub is offering a 25,000 stock-keeping-unit selection to members who pay $15 a year at prices significantly below most southern Califor-

(Continued on page 50)

NHCNews Briefs

Industry Update

Pay 'n Save eyes members whse

SEATTLE—Pay 'n Save has established a new subsidiary that will operate a chain of cash-and-carry membership warehouses, the first of which is slated to open early next year in Salt Lake City.

Calvin Hendricks, vice chairman and cfo of the $1 billion retailer, which also operates 69-unit Ernst Home Centers, described the new venture as a "duplicate" of the San Diego-based Price Club.

To be known as Price Savers Wholesale Club, initial units are slated to open in Seattle and Tacoma, Wash., Honolulu and Anchorage in addition to the first 100,000-sq.-ft. warehouse in Salt Lake.

Hendricks told *NHCN* that the units will not sell lumber, but that about 20% of floor space will be devoted to hardware. Other merchandise will include major appliances, electronics, housewares, tools, sporting goods, seasonal goods and tobacco products. Green goods as well as food items including frozen foods will also be stocked.

The membership policy will be modeled after the Price Club's: Businesses will pay an annual fee to buy goods while "qualified" consumers—typically those who belong to certain credit unions or employees of local, state and Federal Governments—will not be charged to join but will be required to pay a surcharge for goods purchased.

In charge of the subsidiary is Thomas R. Grimm, most recently gmm of Grand Central, the Salt Lake discount chain. Hendricks said each unit will have about 100 to 125 employees.

Typical of the "no frills" warehouse look the units will have cement floors and exposed, open-beam ceilings as well as merchandise stacked on pallets and wide aisles for easy fork lift access.

Evans' lenders delay spin-off

PORTLAND, Ore.—Evans Products' plan to spin off its 343-unit retail group into a new publicly held corporation has been delayed by Evans' lenders.

The release of preliminary prospectuses has been postponed because Evans is "bogged down in negotiations regarding the consent" of Evans' 22 secured lenders, said Gerald A. Parsons, Evans' vp-corporate relations.

The lenders must agree to Evans' plan to sell assets. Evans has "made some progress" in negotiations, Parsons said, but no new timetable pertaining to the release of the prospectuses has been announced.

The prospectuses are filed with the S.E.C. and contain information on the transaction and public stock offering. When the spin off plan was announced in June, Evans said it would retail at least 20% of the shares of Grossman's Inc., a wholly owned subsidiary created to facilitate the ownership change.

Bowater leases 2 more unit sites

PLANO, Tex.—Bowater Home Centers has signed lease agreements to open a fourth store here and a fifth in North Richland Hills, Tex., by the spring of 1984.

Like its three units operating in Arlington, Richardson and Mesquite, the new Bowater stores will be 70,000 sq. ft. with a 10,000-sq.-ft. outdoor lawn and garden area. They will carry about 30,000 sku's and be manned by 100 employees.

Bowater officials said the chain would be operating a total of eight stores in the Dallas-Fort Worth market by early next year.

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Vol. 9, No. 23 November 7, 1983

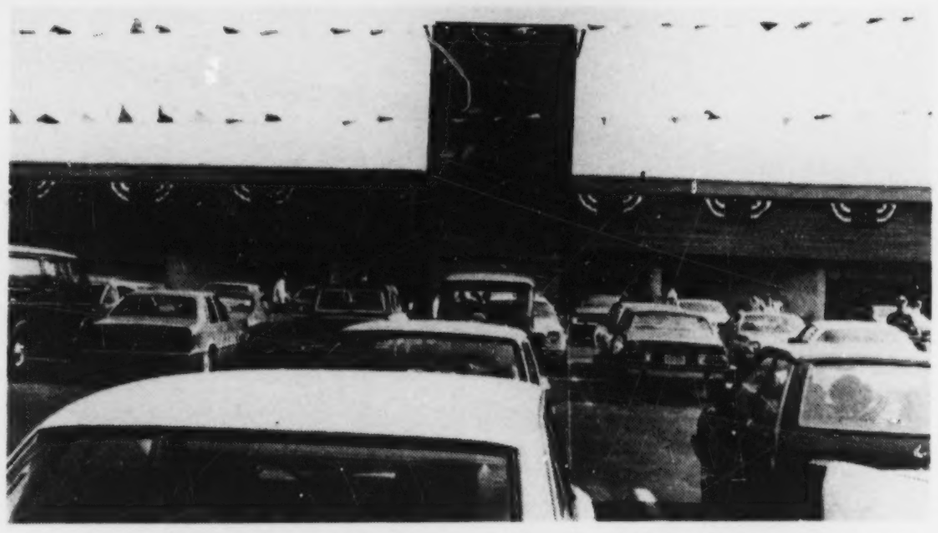
Triangle's 60,000-ft. prototype hits $600,000 in 1st 10 days

WILKES-BARRE, Pa.—Officials at Triangle Building Centers said their new 60,000-sq.-ft. store here generated $600,000 in the 10 days following its Sept. 10 grand opening. They expect approximately $8.4 million in sales during the first year of operation.

The 10-day total is nearly twice that recorded during the same period at the 42,000-sq.-ft. Triangle store in Bethlehem, Pa., which serves as the company benchmark. Sales in Wilkes-Barre have since leveled off to a volume more than 40% greater than that posted by the Bethlehem store.

Triangle apparently expects the new unit to permanently maintain a 40% comparison rate with Bethlehem. The Bethlehem unit, which opened in August 1982, generated a $6 million sales volume in its first year.

Triangle executives plan to open seven more units in the Northeast over the next three years, though markets targeted for the expansion have not been disclosed. The Quakertown, Pa., company, with $52 million in annual sales to contractors and consumers, began its current retail effort three years ago after renovating its first store to include a 22,000-sq.-ft. showroom and 20,000 sku's. The store, located in Quakertown, today generates $5.5 million in annual sales.



Triangle officials expect the 60,000-sq.-ft. Wilkes-Barre, Pa., prototype to generate annual sales of $8.4 million. The unit posted sales of $600,000 during first 10 days following its Sept. 10 grand opening. NHCN photo

Thomas Ostrander, retail division mgr., said the three-store chain's strategy is to open stores on the scale of its Wilkes-Barre unit wherever possible. Meanwhile, the company plans to rely on market studies conducted by Howard L. Green & Assoc., a Birmingham, Mich., consultant, in determining the store size for each market.

The Wilkes-Barre store, which includes a 35,000-sq.-ft. showroom and a 22,000-sq.-ft.

(Continued on page 47)

Housing starts tumble by 13.5% in Sept.

NATIONAL REPORT—As a result of interest rates that have been rising since late spring, housing starts declined sharply in the month of September by 13.5% to a seasonally adjusted annual rate of 1,652,000 units, the slowest pace since April.

New construction of single family homes also fell in September to an adjusted annual rate of 1,009,000 units, 11.6% below revised August figures. And building permits, which gauge the future levels of home building activity, were off 9% during the month to a seasonally adjusted 1,504,000 units, compared with a revised 1,652,000 units in August and 1,782,000 in July.

Housing starts in September were still 45.7% ahead of the rate set a year ago when the industry was in the throes of recession, and the seasonally adjusted rates for single family units and housing permits were 47.7% and 46%, respectively, above same period totals in 1982.

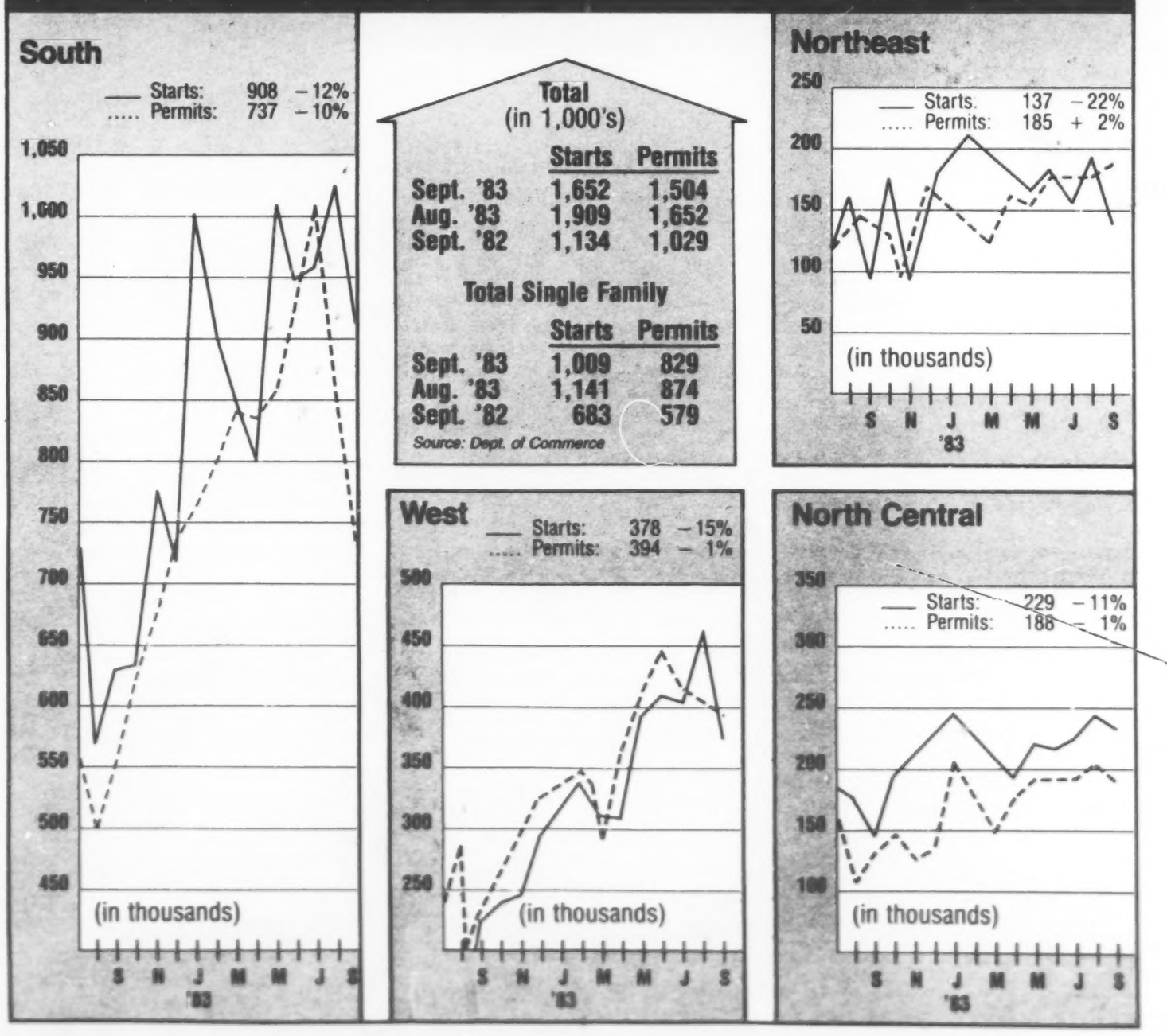
However, analysts and builders have been anticipating a falloff in housing since interest rates rose two percentage points last summer, and some had expected the drop to occur sooner. In May, conventional mortgage rates were quoted by lenders at 12.5%: in September, rates hovered between 13.5% and 14%.

In a nationally televised speech delivered Oct. 19, President Reagan expressed little dismay at housing decline in September, noting that "it wouldn't surprise me if people are waiting because there is—I think there's a great expectation that there's going to be a further drop in the interest rates, and so anyone would be smart to wait for that drop to take place."

However, Commerce Secretary Malcolm Baldridge acknowledged that construction

(Continued on page 4)

September home-building activity



Housing starts in September fell to a seasonally adjusted annual rate of 1.65 million units, a 13.5% decline from August figures that reached the highest levels in the past four and a half years. The decline had been predicted by economists as early as last summer, and some had expected it to occur sooner. All sections of the country had a fall-off in housing starts.

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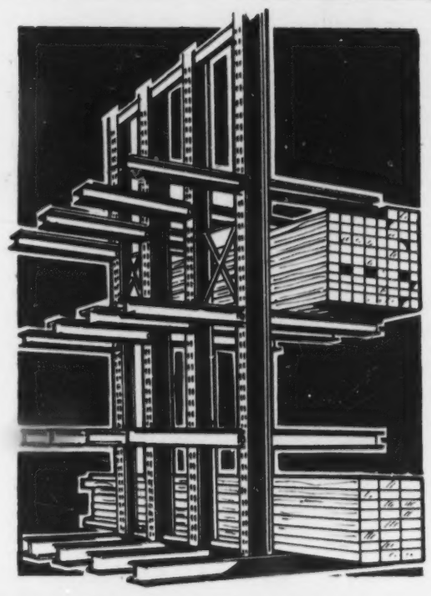

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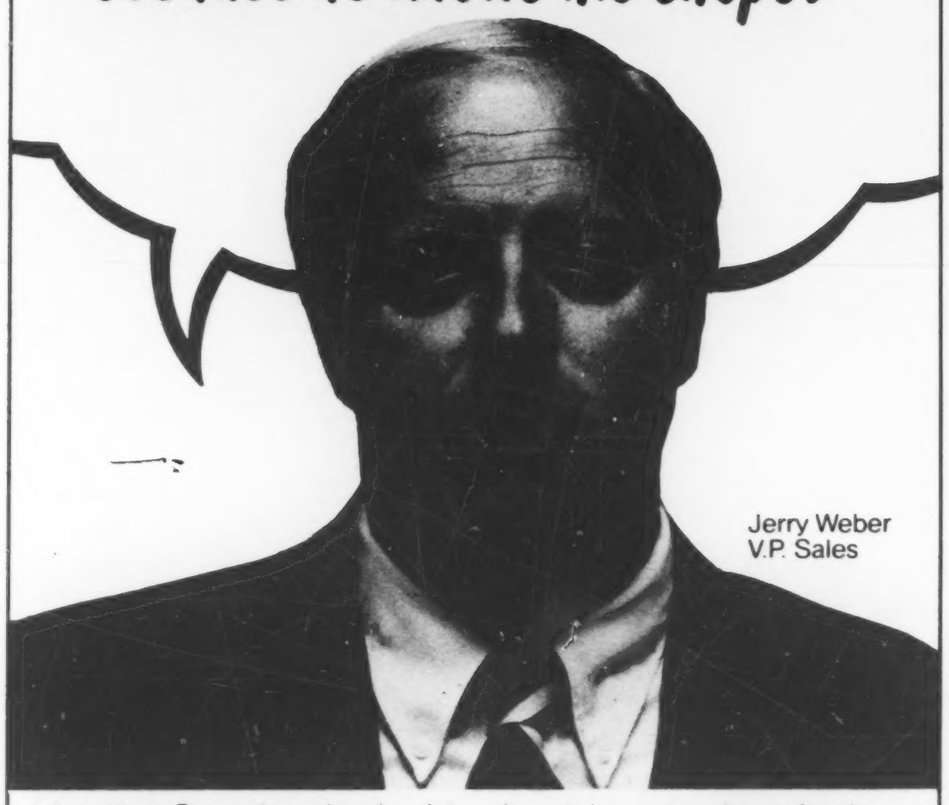

Jerry Weber
V.P. Sales

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Dealers polled on home center securities

Size of company separates home center bulls and bears

NATIONAL REPORT—At least 1 out of every 3 home center retailers, when thinking as investors, would consider investing in a home center stock, a recent survey of the home center industry found.

According to a poll of managers and executives representing 173 home center companies throughout the United States, more than one-third would be interested in purchasing a home center stock if an investment in the stock market were planned. Almost half said they would not be interested.

A strong balance sheet, aggressive merchandising and the ability to adapt to market conditions were the three main elements identified by home center retailers explaining why they would invest in a home center security.

It appeared the bigger the company they belonged to, the more bullish retailers were on home center properties: over half of those polled representing companies with more than 10 stores, or with sales exceeding $10 million, would buy a home center stock. Conversely, the majority of those from smaller firms said they would not be interested in such an investment.

The public company most frequently named for its investment potential by home center retailers was 117-unit Payless Cashways. Lowe's Cos. and The Home Depot ranked second and third most popular stocks.

Scotty's and Hechinger ranked fourth and fifth, respectively, as the chains mentioned both most frequently and first.

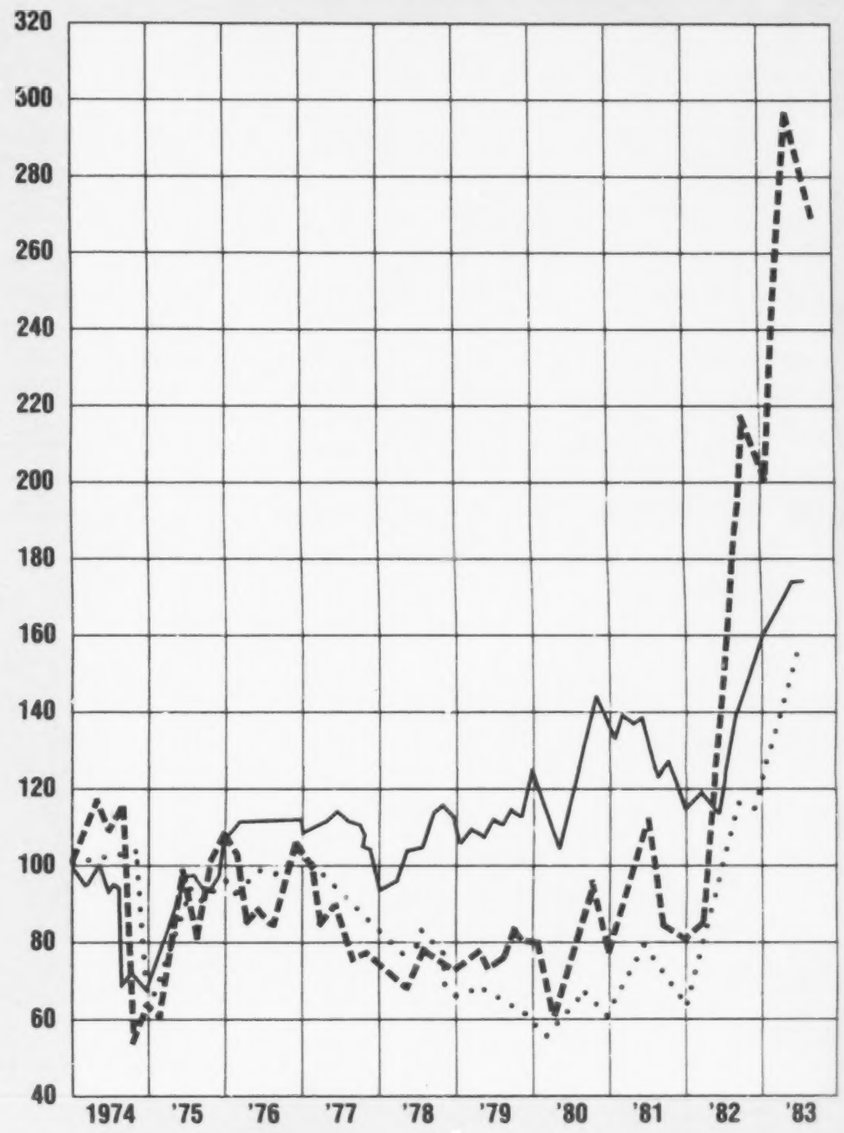
By far, the reason given most often by a respondent considering investment in a home center stock was that he would be investing in his own companies, and was optimistic about its ability to grow.

But in assessing the pros and cons of investment in any home center stock, those polled identified a chain's "profit picture" as a significant element to be evaluated, followed by that chain's "aggressive merchandising strategy."

The potential of a company to change with shifting market conditions was also cited by respondents as a probable factor in their determining a home center stock's value, as was the relative quality of a chain's management and its plans for physical expansion into new locations.

Surprisingly, the opportunity to get in on the ground floor and invest in an initial public offering ranked low among the reasons given for wanting to invest in a home center stock.

Home Center Stock Price Index
(1974 = 100)



Sources: Standard and Poor's, company materials and Smith Barney, Harris Upham; *NHCN* chart

Home Center stock prices, on a composite basis, dipped along with the rest of the stock market during the third quarter, but remained well above the average index of all retail stocks, according to Standard and Poor's indices.

Housing starts

(Continued from page 2)

activity was "under pressure from high interest rates," though demographic data on housing needs and on previous recoveries showed that "there is more room for growth."

With the exception of a slight increase in the seasonally adjusted annual permit rate in the Northeast, every section of the country experienced a falloff in housing starts and permits. This was particularly noticeable in the South.

Michael Sumichrast, the chief economist for the National Assn. of Home Builders, predicted that housing starts in the fourth quarter would run at a seasonally adjusted 1,540,000-unit clip.

Clarifications

In listing ways to prevent employee theft from cash registers, the Security/Shortage Control column (*NHCN*, Sept. 26) erroneously stated, "No sales should be permitted. In the event they are necessary, the employee ringing the transaction should be required to initial the detail tape." The item should have begun, "NO SALES should not be permitted. In the event . . ."

In an article about trademark counterfeiting (*NHCN*, July 18), the name Vise-Grip was inadvertently misspelled. It is a registered trademark for a product produced by Petersen Manufacturing, DeWitt, Nebraska.

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	9/30-3rd qtr.	$ 909,480	$ 736,670	23	$18,050	$ 2,490	625
W. R. Grace	9/30-3rd qtr.	1,505,965	1,443,750	4	28,113	44,447	– 37
Home Centers of America	8/28-2nd qtr.	5,364	—	—	–734	—	—
Lowe's	9/23-4 wks.	113,400	84,900	34	—	—	—
Pay 'N Pak	8/31-2nd qtr.	74,545	52,934	41	3,092	1,915	61

*$ in thousands

Source: Company reports

Recapitalization secures power for Hechingers

LANDOVER, Md.—Hechinger shareholders last month approved a recapitalization plan creating a second class of common stock and further securing the voting power in company matters in the hands of the Hechinger family.

Following the approval, Hechinger's board declared a distribution of one share of the newly-created Class A common for each four shares of the existing 14.5 million Class B shares. Both classes of stock are now traded over-the-counter and listed on the NASDAQ National Market System.

The new Class A common carries an initial dividend preference of four cents per share, 40% greater than the dividend on the Class B common. However, Class B common shareholders are entitled to 10 votes per share while Class A holders get only one vote per share.

Class B shares will be convertible to Class A shares on a one-for-one basis. However, Class A stock will not be convertible into Class B common.

Hechinger officials had become fearful of a possible unfriendly takeover through stock acquisition. Although the family had still controlled 56% of the stock prior to the recapitalization, future growth and underwritings could have cut the family's ownership below 50%, according to president John Hechinger.

Two classes of stock introduced by Forest City

CLEVELAND—Forest City Enterprises, operator of 20 home centers in Cleveland, Chicago and Detroit among its businesses, has a new capitalization program which includes two classes of common stock.

Shareholders approved an amendment to the company's articles of incorporation last month that will help Forest City fund future capital needs and keep the Ratner family in control of the company.

The recapitalization converts the nearly four million existing common shares outstanding to Class A common stock. For each existing share, the stockholder will also receive a share of new Class B common.

Following the shareholders' approval of the plan, Forest City's board declared a 14-cent dividend per share on Class A common and an 8¢ dividend per share on Class B common for 1983. The dividends are payable on Feb. 1, 1984, to shareholders of record on Jan. 16, 1984.

Class A shares have the power to elect 25% of the board of directors and in other matters, they have one vote each. Class B shares will elect 75% of the board and maintain 10 votes each on other company matters.

STOCK PRICES

	As of 10/11	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	42½	47⅜	30⅜	29
Edison Bros. Stores (NYSE) [Handyman, Homer's]	41¾	46¾	25½	14
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	13⅝	19½	7	—
Forest City (AMEX)	30½	30⅝	14	44
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	49	50⅜	35¾	14
Lowe's (NYSE)	26	32¾	14¼	23
Michigan General (AMEX) [Diamond Lumber]	11⅜	;2	1⅜	—
Pay 'N Pak (NYSE)	17¾	24	16⅝	18
Payless Cashways (NYSE) [Furrow]	26¾	34½	16¾	26
Scotty's (NYSE)	16¾	21⅛	13¾	17
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14⅛	16½	9½	—
Standard Brands Paint (NYSE)	24¼	28¾	16	17

Nasdaq—over-the-counter stocks

	As of 10/11	52-week High	52-week Low	P/E Ratio
Color Tile	16	28	13⅝	—
Hechinger	26½	38½	19	—
The Home Depot	29	31¾	6¾	—
Pay 'n Save	25⅞	27⅝	11½	—

Over-the-counter stocks

	As of 10/11 Bid	As of 10/11 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	18½	22½	25	8½
Hines Lumber	28	30	31	15
Home Centers of America	13¼	13½	15½	5
Home Centers of America [units]	42	44	51½	13¼
Scotts Seaboard [Scott's]	3½	4½	5	⅝
Wolohan Lumber	6⅝	6⅞	10⅛	4⅛

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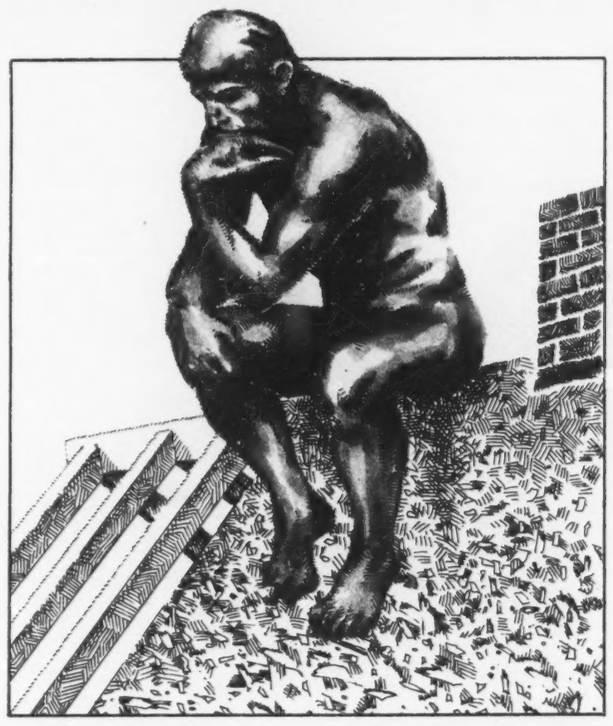

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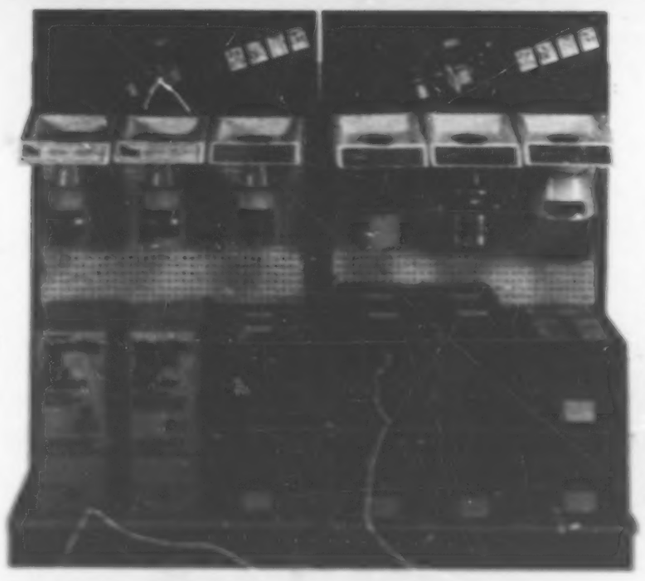

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FUTURES

Two weeks ended Oct. 14, 1983

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov.	185.80	174.60	179.80	183.40	3,713	229.90	161.10
Jan. '84	197.20	186.40	192.90	194.50	2,438	234.00	172.30
March	209.90	198.90	207.60	208.40	1,337	240.50	184.80
May	217.60	207.10	215.50	216.00	364	245.50	195.30
July	224.70	214.30	222.50	223.30	111	252.50	204.00
Sept.	228.90	221.50	226.00	228.90	47	236.00	209.80
Nov.	229.00	223.00	227.50	228.90	6	229.00	219.50

Total Contract Vol. (Through 10/14): 33,113 — Previous Two Weeks: 35,578
Total Open Interest (As of 10/13): 8,016 — Previous Week: 8,263
Cash Price: $167.58 — Previous Week: $162.58 — Year Ago: $140.14

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Nov.	199.00	189.50	195.60	195.00	553	226.60	177.20
Jan. '84	200.50	193.20	199.50	198.70	190	223.00	179.70
March	204.30	197.50	202.70	203.80	210	225.00	183.00
May	207.00	201.00	205.50	205.80	28	207.00	187.50
July	210.00	204.00	208.30	207.80	39	210.00	190.50
Sept.	212.50	207.00	211.50	210.80	1	212.50	203.50

Total Contract Vol. (Through 10/13): 1,194 — Previous Two Weeks: 1,223
Total Open Interest (As of 10/13): 1,021 — Previous Week: 1,062
Cash Price: $198.94 — Previous Week: $195.02 — Year Ago: $185.22

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Oct. 13.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Hal's appoints new pres.

(Continued from page 3)

as a new home center chain in the market.

"The delay in expanding has been nothing more than investor lethargy," Nahodil said. "A real estate man in Milwaukee had been offering to us a piece of land which really was not in a good location. He kept sweetening the deal and making it more attractive."

Ole's chairman Max Knell agreed that the opportunity in Milwaukee is "great" and that the investors are to blame for the slow expansion of the chain.

However, officials finally decided not to take the parcel and have signed a deal for a third store, to be built from ground up and ready for opening in April in the city.

"We should have had our third store open by now," Nahodil said. "Milwaukee is a good market and there's exceptional opportunity. We don't want to let the opportunity get away."

By the time the new 40,000-sq.-ft. store opens, officials hope to have the chain's flagship store at 27th and Layton expanded from 27,000 to 37,000 sq. ft., according to Nahodil.

He said he hopes a fourth Hal's will debut by next fall.

However, expansion is not the only area upon which Nahodil will concentrate initially. He wants the chain to focus more on the big-ticket sale.

"Originally, we wanted to be a service, selection and price value, not necessarily low price, company," he explained. "We're designed to give service, but we were trying to compete on price. We can't compete with a Menard's, but on a service level, a Menard's can't compete with us.

"We're not a threat to Menard's and they aren't a threat to us. We're completely different."

To this point, however, Nahodil said he was happy with Hal's progress.

Payless adopts new ad strategy

(Continued from page 3)

Pond said his staff members currently are examining sales in those departments whose products played a role in each of the 15 clinics held. "For instance, there was a clinic on how to install a faucet, and we are trying to determine whether sales in that area changed significantly after the clinic was held," explained the executive.

"We're also looking at the types of clinics run, and at the way they were promoted," he added.

Payless Cashways reportedly has been sponsoring DIY clinics since the Great Depression, when its only store was located in Pocahontas, Iowa. "And there are seasonal clinics held in Sacramento, but this is the first time we've done a fair," continued Pond.

"Fairs are better because they can be labeled with creative names—fairs are fun," he said. "And they're like an umbrella under which you can hang things like giveaways."

According to Pond, the new strategy for 1984 is to dovetail two previously separate advertising ploys: one centering on price promotions and one calling for image-intensive ads. Until early 1982, Payless relied on price-oriented print advertisements for 95% of its promotions. The company then cut the number of price points carried in each ad, replacing them with photographs of in-store merchandise displays, and moved heavily into television.

The shift in emphasis was designed to promote an image of breadth and quality in merchandise, Pond explained. "We did that instead of attempting to lay out our entire hand on a price display and affecting, usually negatively, gross margins."

During the fair in Dallas, Payless ran two run-of-press (ROP) newspaper ads per week, supplementing its usual Sunday price and item ad with one placed mid-week and devoted exclusively to the clinics and giveaways. The chain also purchased air time on three local television stations.

Jim Neustadt, Payless' advertising director, said the fair's promotions got under way on Sept. 5 when the chain broke a nonprice-oriented, double-truck ad in a local Sunday newspaper. The ad, like those which followed at mid-week for the remainder of the fair schedule, ran with three colors (blue, red and black) and focused entirely on the concept of learning "How to . . ." at Payless Cashways, encompassing "how to" build a deck or "how to" win a pick-up truck.

The weekly price and item ROP's were tagged with red headlines which said, "How to Save at The Fair." Just such an ROP, which appeared Sept. 11 in the *Dallas Times Herald*, featured reduced prices on items including Colony house paint, Owens-Corning Attic Blanket, Keller tub enclosures and ladders and Armstrong vinyl floor covering.

The fair began less than two weeks after Bowater Home Centers opened two 70,000-sq.-ft. retail warehouse stores in the Dallas area, one in Mesquite and another in Richardson. Pond said the fair was in no way connected with the Bowater openings, but timed instead to coincide with local public fairs. However, the executive admitted that the DIY fair concept is included in Payless' "black book" of strategies to be used in competition with warehouse operations.

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